

Michigan Department of Treasury Individual Income Tax 2013

General Updates: MI-1040

- Tax rate 4.25%
 - No scheduled rate reductions
- Personal Exemption \$3,950
- Special Exemptions
 - Disabled \$2,500
 - Qualified Disabled Veteran Deduction \$ 300
 - No special exemption for Seniors, Dependents under 19, or Unemployment greater than 50% AGI

2

Disabled Taxpayers / Credit Claimants			
	MI-1040 Special Exemptions	MI-1040CR "Senior" vs. "Disabled" Calculation	MI-1040CR-7 Special Exemptions
"Totally and permanently disabled"	65 & younger: \$2,500 exemption	65 & younger: Use Disabled calculation	65 & younger: Yes
	66 & older: no \$2,500 exemption	66 & older: Use Senior calculation	66 & older: No
Blind	65 & younger: \$2,500 exemption	65 & younger: Use Disabled calculation	65 & younger: Yes
	66 & older: \$2,500 exemption	66 & older: Use Disabled calculation	66 & older: Yes
Deaf, Paraplegic, Quadriplegic, or Hemiplegic	65 & younger: \$2,500 exemption	65 & younger: Use Disabled calculation	65 & younger: Yes
	66 & older: \$2,500 exemption	66 & older: Use Disabled calculation	66 & older: Yes
"Qualified Disabled Veteran"	65 & younger: \$300 exemption	N/A	65 & younger: Yes
	66 & older: \$300 exemption	N/A	66 & older: Yes

Some Claimants may be eligible to file MI-1040CR-2 if blind homeowner or "eligible service person", "eligible veteran", "eligible widow or widower". See Instructions for CR-2 or statutory definitions for more information.
If a claimant is eligible to file CR-2, always fill out both the CR and CR-2 and take the larger credit of the two.

General Updates: MI-1040

DOMA decision

Notice on Treasury's website:

"Same-Sex Couples Filing Joint Federal
Income Tax Returns Must File Michigan
Income Tax Returns as Single Filers"

4

Deductions/Subtractions

- Renaissance Zone deduction available only for zones certified or renewed before 2012
- Reminder: Oil & Gas requires both a subtraction of the income included in AGI & an add-back of related expenses, to the extent subject to Severance tax
- Similar elimination for Nonferrous Metallic Minerals Extraction

5

Non-Refundable Credits

- Non-Refundable credits are taken on MI-1040, page 1
 - Taxes paid to a governmental unit outside Michigan

6

Homestead Property Tax Credit

- Refundable
- Be sure to submit all 3 pages of Form MI-1040CR
- Total Household Resources
- Taxable Value cap
- Income limitations and phase-outs
- Special Situations

7

Homestead Property Tax Credit

- Total Household Resources (**THR**)
 - Adjusted Gross Income (AGI)
 - Any income excluded or exempt from AGI
 - Elimination of:
 - Net business loss after netting all business income and loss
 - Net rental and royalty loss
 - Carryover of any Net Operating Loss (NOL)

8

Homestead Property Tax Credit

- Example 1

– Wages	\$30,000
– Schedule C	\$25,000
– Schedule E, rent & royalty	<u>(\$15,000)</u>
- Total Household Resources \$55,000
 - Does not qualify for homestead property tax credit

9

Homestead Property Tax Credit

- Example 2:

– Schedule C:	\$20,000
– Schedule F:	\$25,000
– Schedule E, flow-through:	<u>(\$12,000)</u>
– Schedule E, rent & royalty:	<u>(\$ 5,000)</u>
– NOL deduction	<u>(\$15,000)</u>
- Total Household Resources \$33,000

10

Homestead Property Tax Credit

- Available for homes with taxable value of \$135,000 or less
- Exception: Farmers should include all land that qualifies for this credit
 - However, if the taxable value of homestead excluding the taxable value of the unoccupied farmland classified as agricultural exceeds \$135,000, claimant is not eligible for the homestead property tax credit.

11

Homestead Property Tax Credit

- Senior Claimants:
 - 100% credit if THR is \$21,000 or less
 - Credit reduced by 4% for each additional \$1,000 over \$21,000, up to 30,000
 - 60% credit if THR is \$30,001 to \$41,000
- Disabled Claimants
 - Not subject to any phase-out up to THR \$41,000
- Other Claimants
 - Eligible for 60% of credit up to THR \$41,000

12

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	66 & older; \$2,500 exemption	66 & older; Use Disabled calculation	66 & older; Yes
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	66 & older; \$2,500 exemption	66 & older; Use Disabled calculation	66 & older; Yes
"Qualified Disabled Veteran"	65 & younger; \$300 exemption	N/A	65 & younger; Yes
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Some Claimants may be eligible to file MI-1040CR-2 if blind homeowner or "eligible service person", "eligible veteran", "eligible widow or widower". See Instructions for CR-2 or statutory definitions for more information.
If a claimant is eligible to file CR-2, always fill out both the CR and CR-2 and take the larger credit of the two.

Homestead Property Tax Credit

- Credit phase out for **ALL** claimants begins at \$41,001
 - Credit reduced by 10% for each additional \$1,000 over \$41,000.
 - Complete phase-out at \$50,001
 - This phase-out applies *after* Senior and "Other" claimants have reduced credit to 60%

14

Homestead Property Tax Credit

- ***NEW*** Form 5049 / Worksheet
 - In development
 - Will address married filing separate credits
 - Will be available at www.michigan.gov/taxes
 - Not filed as a form; required as an attachment to certain e-filed or paper-filed credit claims

15

Pension & Retirement Benefits

INCOME TAX CHANGES FOR RETIREMENT BENEFITS EFFECTIVE FOR TAX YEAR 2013		
Taxpayers born before 1946 (Tier 1)	Taxpayers born 1946 through 1952 (Tier 2) Before the taxpayer reaches age 67	Taxpayers born after 1952 (Tier 3) Before the taxpayer reaches age 67
<ul style="list-style-type: none"> • Social Security is exempt. • Senior citizen subtraction for interest, dividends, and capital gains up to \$10,767 for single filers and \$21,534 for joint filers. • Public pensions exempt. • For 2013 private pensions, subtract up to \$48,502 for single filers and \$96,605 for joint filers. 	<ul style="list-style-type: none"> • Social Security is exempt. • Railroad pension is exempt. • Military/Michigan National Guard pension is exempt. • Not eligible for the senior citizen subtraction for interest, dividends, and capital gains. • Public and private pension limited subtraction of \$20,000 for single filers or \$40,000 for joint filers. • Pensions from governmental agencies not covered by the Social Security Act: \$35,000 for single filers, \$70,000 for joint filers, or \$70,000 for joint filers if both spouses worked for an "uncovered" agency. 	<ul style="list-style-type: none"> • Social Security is exempt. • Railroad pension is exempt. • Military/Michigan National Guard pension is exempt. • Not eligible for the senior citizen subtraction for interest, dividends, and capital gains. • Not eligible for public or private pension subtraction. • At age 62, pensions from governmental agencies not covered by the Social Security Act: \$15,000 for single filers or \$30,000 for joint filers if both spouses worked for an "uncovered" agency.
	After the taxpayer reaches Age 67 (will first occur in 2013)	After the taxpayer reaches Age 67 (will first occur in 2020)
	<ul style="list-style-type: none"> • Social Security is exempt. • Railroad pension is exempt (see below). • Military/Michigan National Guard pension is exempt (see below). • Not eligible for the senior citizen subtraction for interest, dividends, and capital gains. • Subtraction against all income of \$20,000 for single filers and \$40,000 for joint filers. <p>Note: Not eligible for this income subtraction if the taxpayer is a Military/Michigan National Guard or Tier 2 railroad pension exemption is claimed.</p>	<ul style="list-style-type: none"> • Not eligible for the senior citizen subtraction for interest, dividends, and capital gains. • Not eligible for public or private pension subtraction. • Income exemption election: <ul style="list-style-type: none"> – Elect exemption against all income of \$20,000 for single filers or \$40,000 for joint filer. OR – No exemption for Social Security, Military/Michigan National Guard, or railroad retirement. No personal exemption. – Elect to exempt Social Security, Military/Michigan National Guard and railroad pension. May claim personal exemption.

Pension & Retirement Benefits

- No change to "qualified" benefits eligible for subtraction
- New for 2013
- Amount of subtraction is based on year of birth
 - For married filing jointly, use the year of birth of the oldest spouse
 - For deceased benefits, use the year of birth of the decedent
 - Married filing separately follows single limits

18

What are Pension & Retirement Benefits?

- Pension and Retirement Benefits include:
Most payments on federal 1099-R, to the extent included in AGI
 - Defined Benefit Pensions
 - IRA Distributions
 - Most Defined Contribution Plans

19

Pension & Retirement: **New in 2013**

- Standard Deduction against ALL income in lieu of pension & retirement subtraction

Single:	\$20,000
Joint:	\$40,000

 - For 2013, only taxpayers born in 1946 are eligible for this subtraction.

20

Pension & Retirement: **New in 2013**

- Social Security Act (SSA) Exempt
 - For 2013, Tier 2 only (born 1946 through 1952)
 - Receives retirement benefits from employment with governmental agency not covered by SSA
 - Maximum subtraction increased by \$15,000 for each spouse fitting criteria on a joint return

21

Changes Based on Year of Birth

Born Before 1946

- **No Change in Pre-2012 Law**
 - Social Security exempt
 - Deduction for Dividends, Interest, & Capital Gains
 - Public pensions exempt
 - Private pensions subtract

\$48,302 Single
\$96,605 Joint

23

Born In 1946 Through 1952

- **Before reaching 67**
 - Social Security, Railroad, Military, & Michigan National Guard retirement are exempt
 - Not eligible for Dividends, Interest, & Capital Gains deduction
 - Pension subtraction limited to

\$20,000 Single
\$40,000 Joint

24

Born In 1946 Through 1952 (Cont'd)

- **After Reaching 67** (first occurs in 2013)
 - Social Security, Railroad, Military, & Michigan National Guard retirement are exempt
 - Not eligible for Dividends, Interest, & Capital Gains deduction
 - Subtraction against ALL income \$20,000 Single
 \$40,000 Joint
 - This subtraction is reduced by Railroad or Michigan National Guard pension subtractions, and Military subtraction

25

Born After 1952

- **Before Reaching 67**
 - Social Security, Railroad, Military, & Michigan National Guard retirement are exempt
 - Not eligible for Dividends, Interest, & Capital Gains deduction
 - Not eligible for Public or Private pension subtraction *

26

Born After 1952 (Cont'd)

- **After Reaching 67**
 - Most taxpayers will be eligible for an exemption of \$20,000 for single or \$40,000 for joint filers
- **More info at michigan.gov/taxes**

27

Where to Report Pension & Retirement Benefits

- Form 4884, *Pension Schedule*
 - Subtraction flows to Schedule 1
 - 2013 Form has been revamped
 - Multiple scenarios within Instruction Booklet
- Form 4973, *Pension Continuation Schedule*
 - Used if more than **10** sources of qualified benefits

28

Using the information from line 7, complete Part A, Part B or Part C. To determine which part of the form to complete, answer the following questions.

1. Were pension or retirement benefits received by a filer or spouse (if married, filing jointly) born prior to 1/1/1953, or were surviving spouse benefits received for a deceased spouse who was born prior to 1/1/1953 and died prior to 1/1/2013?

Yes: Continue to question 2.

No: You are not eligible for a pension or retirement benefits subtraction. Do not file form 4884.

2. Was the older of filer or spouse (if married, filing jointly) born between 1/1/1946 and 12/31/1946?

Yes: Do not file Form 4884. Use Michigan

- No: Continue to question 3.

3. Was older of filer or spo

- Yes: Complete Part A of form 4884.

No: Continue to question 4.

4. Is filer or spouse (if married, filing jointly) receiving benefits from a deceased spouse who was

born prior to 1/1/1946 and died prior to 1/1/1946

Yes: Complete Part B of Form 4884
No: Complete Part C of Form 4884

No. Complete rate of return 100%

29

Obligation for Withholding

- Pension Administrators under Michigan Jurisdiction are required by statute to withhold on all taxable income
- Administrators have been advised to do the following:
 - Follow directions on submitted MI W-4P
 - In absence of MI W-4P:
 - Do not withhold on those born before 1946, unless benefits exceed limits
 - Withhold on all taxable benefits on those born after 1946

30

Other Miscellaneous Updates

NEW: Taxpayer Rights web page

www.michigan.gov/taxpayerrights

Additional content under development by
Office of the Taxpayer Advocate

31

Other Miscellaneous Updates

NEW: Collections e-Service

www.michigan.gov/taxes

- Online Services
- Collections e-Service

32

Other Miscellaneous Updates

NEW: Collections e-Service (cont'd)

- Accounts eligible for e-Service are businesses and individuals who have:
 - Delinquent tax debt(s)
 - Driver Responsibility Fee(s) (DRF)
 - Other assessed delinquent debt(s) collected by the State of Michigan, Department of Treasury, Office of Collections
- Cases in Hearings Status are *not* eligible to use this service
- Currently, you have the ability to make a payment. Expanded services will be available in the future.
- To utilize this payment feature, you must have:
 - A State of Michigan, Department of Treasury, Office of Collections account number. (The account must have a balance due)
 - A valid checking or savings account
 - The nine digit routing number of your financial institution

33

Resources

• Manuals

→ www.michigan.gov/taxes

→ **Tax Practitioners**

→ Information for Volunteer Groups

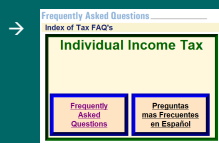
→ [Taxpayer Assistance Manual PDF](#)
[Tax Text Manual PDF](#)

34

Resources (Cont'd)

• Frequently Asked Questions

→ www.michigan.gov/taxes



35

Contact Treasury

Customer Contact 517-636-4486

Email (general questions): treasIndTax@michigan.gov

Self-Service (account-specific):

→ www.michigan.gov/taxes

→ **Income Tax**

→ [Check My Income Tax Info](#)

36